

# Don't Buy the Wrong House

## A Homes Value Is Directly Related To Its Future Marketability

For most buyers, the selection of a home is an emotional decision, and it should be. Buyers should tap into their emotional knowledge when making this very personal decision. Their selected home may have some defects, yet meet their needs in many important ways. No home will be perfect.

However, at some point in the future a buyer will want to re-sell the home and expect to receive the annual appreciation on the home that is typical for the area. The value of the home as an investment is directly related to its marketability. If it is sought after by other buyers, the home will be able to resell the home at the highest price possible for the market.

Here are seven potential re-sale problems that buyers should consider before closing on a home:

### Site Difficulties

#### **Lack of Yard**

Does the selected property meet the needs of the typical buyer for the neighborhood in terms of lot size? Buyers tend to pass on homes that have significantly less usable yard than other homes in the neighborhood.

#### **Unusual Easements or Restrictions**

Unusual easements, deed restrictions, or an unexpected lot configuration discovered during the closing process should be cause for re-consideration, with an eye toward future marketability. Does the lot contain an access easement to another property? Is there an encroachment on the property? Are there regional pipelines underground? Are the lot boundary lines what you expected? Is flood insurance required?

#### **Commercial View**

Homes in suburban areas that view office buildings or retail centers are less attractive to buyers. Buyers choose suburban neighborhoods for their concentration of single family homes, separated from commercial areas. Of course, this would not apply to urban areas.

#### **Flag Lot**

In a subdivision of properties with similar road frontage, buyers will avoid this type of lot. These lots have very little street frontage, and there may be a building in front of the home. An acreage flag lot in a country setting may be an exception.

## **Likely Objections**

### **High Tension Wires**

The general reaction by buyers to high tension wires crossing near the lot is to simply eliminate the choice.

### **Steep Driveway**

Many buyers will pass on homes with excessively steep driveways. If they cannot comfortably park the car, they won't get out of it to view the home.

### **Busy Street**

The noise related to a busy street is a turn-off to many buyers, especially if the busy street is in front of the house.

### **Too Exposed**

If the building behind the home looks down onto the backyard or into the family room, this will be a sales objection to many buyers. Most buyers want a certain degree of privacy in the back yard. This may be able to be mitigated by trees or screening.

## **Neighborhood Concerns**

### **Declining Values**

Does the neighborhood show pride in ownership? If you see tear downs and new construction, an older neighborhood may be going through a renewal period, and may be a good risk. However, if your market data indicates that values are declining, this should be cautionary information for the buyer.

### **Safety or Security Problems**

If you see or hear of security problems—drug dealing, frequent burglaries, or safety concerns, ask your buyers to check the facts and data on these issues before buying. If these kinds of problems are on the rise, your clients could have serious resale issues.

## **Market Matters**

### **No Comparable Sales**

It is important to understand the underlying reason for few or no comparable sales. The home may be very unusual compared to homes around it, or the market may be slow. This could indicate a possible future re-sale problem.

### **Extended Marketing Time**

Has the selected home been on the market a long time? Was the price simply set too high? Has the market been slow? Or, is there a problem with the house that the buyer will need to correct?

**Oversupply of Homes**

The possibility of an increasing supply of homes in the selected neighborhood may be a concern for some buyers, in particular those who will be in the home for less than two years. A common source of excess supply is overbuilding by homebuilders in the area, or it may be caused by a decline in the economy of the area.

**Seasonal or Limited Market**

Some homes have a limited market—a vacation area, a primarily student market, or an age restricted subdivision. This may suit your buyer's needs, but keep in mind that their re-sale will be limited to this set of buyers.

**Remote Location**

In most cities, areas that are closer to a business district tend to have a larger buyer pool than homes located in remote areas. Regardless, your buyer may choose the privacy and setting of a country home over resale potential.

## **Non-conforming Styles**

**Lacks a Typical Amenity**

In an area where nearly all homes are on the golf course, or have a pool, or include a garage, buyers will tend to pass on homes that lack these features. In an area of mostly senior buyers, a home with the master upstairs may have trouble selling. Look carefully at what is generally offered in a given area to the majority of buyers.

**A-typical Style**

Homes that do not seem to belong in the neighborhood may have trouble selling. For example, an urban loft style home may be popular in older, eclectic areas, but would be hard to sell in a uniform suburban neighborhood.

## **Inspection Issues**

**Water Drainage Problems**

Poor water drainage is a serious and costly remediation problem. Talk with experts about improving the drainage, and evaluate any damage caused by flooding or standing water.

**Structural Defects**

Structural defects have an underlying cause. They may be due to loose fill on the lot, clay soil, drainage issues, or poor construction. It is crucial to understand the source of the problem, and the cost to repair, before taking on a house with structural problems.

**Inspection Flaws**

Excessive repairs noted on inspection reports indicates that the house was not maintained or was poorly constructed. A buyer may need to be prepared for some serious work on the house. An incorrect application of stucco or other siding may have water damage or mold behind it. A mold infestation is expensive to remove. Note: Document repairs in order to show a future buyer that these problems have been solved.

## **Insurance Claims**

If a previous insurance claim was the result of fire or flooding, you should have full disclosure. Large insurance claims are a red flag, and may result in difficulty in obtaining insurance on the home. Get the facts about previous insurance claims. Many homes have had repairs, such as hail damage, covered by insurance, and these will not be a re-sale problem.

## **Improvement Obstacles**

### **Costly Improvements**

If the sales price includes a number of costly upgrades, you may not be able to recoup their cost. For example, imported fixtures, unusual craftsmanship, exotic woods, high maintenance gardens, or artistically decorated walls may not have a market value equal to their cost. After a home ages, these finishes may drop substantially in value. In some areas, swimming pools and tennis courts do not contribute the full amount of their cost in the value of the home.

### **Over Improved**

Homes that are overbuilt, or have excess acreage for the area often have a difficult time recouping the additional cost. Most people feel safer buying at the mid level of value in the neighborhood.

### **Non Functional Floor Plan**

Floor plans that make living in the home difficult will turn away future buyers. Homes with excessive level changes, poorly proportioned rooms, awkward access to the outdoors, low ceilings, or few windows may sell, but at reduced prices. This may be an opportunity to take down walls and make creative changes to improve the marketability of the home. Your clients will need design skill, reliable contractors and an appropriate budget.

### **Out Dated Finishes**

Many resale problems are simply due to outdated finishes. Buyers with decorating skill and a sense of style can transform these homes. Remodeling adds a level of risk and difficulty to the home purchase, but possibly, a higher level of satisfaction and monetary reward for your buyer. You may be able to offer suggestions on changes that add the most value. With your help, they may create a gem for you to resell sometime in the future.